

The General Services Administration (GSA) is waiting no time in paying GSA a rent equivalency, an huge backlog of previously authorized but unfunded federal buildings under newly approved lease-purchase legislation.

President Nixon signed the law, which amends the Public Buildings Act of 1959, June 16, and by this weekend, special bidding conferences will have been held in New York City, Chicago, Portland, Ore., Los Angeles and New Orleans to explain the purchase contracting system to prospective bidders for GSA's initial group of buildings. These 30-plus facilities, the first of a group of 63 worth, including site acquisition and design costs, an estimated \$1 billion, are expected to cost about \$420 million. In most cases, drawings have been completed and sites acquired or optioned by the government. The initial projects range from a \$65-million customs court and federal office building annex near New York City's Financial District to a \$563,000 post office and office building in Essex Junction, Vt. (see table).

GSA plans to have solicitations for bids out in mid-July with some contracts scheduled for award before the end of August. All projects in the first group are expected to be under construction by the end of this year. Subsequent offerings will go out during the next six to eight months generating, in total, about 75,000 new construction jobs, according to GSA.

The purchase contracting technique is seen by GSA as a nearly painless way of acquiring and consolidating work space for federal employees while, in the process, reducing high rental costs for federal personnel now occupying space in private buildings.

Under the plan, the government will turn over existing A-E drawings and lease sites to private developers, and the developers will finance and construct the buildings under federal supervision. These developers will retain ownership for up to 45 years, during which time they will receive incremental payments from the government that will cover local property taxes assessed to and paid by the developer and mortgage financing costs. When payment is completed, the government will take title to the buildings.

To generate funds for such payments, all nondefense government agencies occupying GSA space will be

in paying GSA a rent equivalency, an market rates. These payments, which GSA estimates could reach \$1 billion a year, will be funneled into a federal revolving fund that will be used to cover payments to developers, some operational and maintenance costs, and, in some cases, federal financing of government buildings.

For the latter purpose, the revolving fund will provide the GSA with a tool for shortening the lengthy appropriation sequence that has stymied progress on many projects in the past. While major federal buildings will still be funded from direct congressional appropriations, GSA may commit money from the fund for some projects worth more than \$500,000 with approval from the House and Senate Public Works committees and notification to appropriation committees. In the past GSA was forced to go through a time-consuming series of separate requests for site acquisition, design and construction appropriations.

GSA's Initial lease-purchase projects*

City	Building	Costs (mill.)
Tucson, Ariz.	FOB	\$5.5
San Diego, Cal.	CH, FOB, parking	44.9
Santa Ana, Cal.	FOB	13.9
Santa Rosa, Cal.	FOB	4.5
Van Nuys, Cal.	FOB	8.5
Dover, Del.	FOB	1.6
Griffin, Ga.	FOB, PO	1.7
Rome, Ga.	PO, CH	3.7
Waycross, Ga.	PO, FOB, CH	3.9
Honolulu, Haw.	FOB, CH	44.2
Moscow, Idaho	PO, CH	2.5
Chicago, Ill.	Fed. Rec. Ctr.	6.9
Mt. Vernon, Ill.	FOB	1.0
Indianapolis, Ind.	FOB	19.5
Waterville, Ma.	PO, FOB	2.1
Fitchburg, Mass.	PO, FOB	5.7
Detroit, Mich.	FOB	56.5
Lincoln, Neb.	FOB, CH, parking	21.3
Las Cruces, N.M.	CH, FOB	3.1
Albany, N.Y.	FOB	14.0
New York, N.Y.	FOB annex, customs court	64.6
Syracuse, N.Y.	FOB, CH	19.1
Akron, Ohio	FOB, CH, parking	16.1
Portland, Ore.	FOB	20.2
Woonsocket, R.I.	FOB, PO	2.0
Aberdeen, S.D.	FOB	8.0
Rapid City, S.D.	FOB, CH	3.7
Nashville, Tenn.	CH, FOB annex	12.2
Denton, Tex.	FOB, CH	3.4
Fort Worth, Tex.	fed. parking	4.4
Essex Junction, Vt.	PO, FOB	.6
Wenatchee, Wash.	PO, FOB	4.5

FOB-Federal Office Building

PO-Post Office

CH-Courthouse

*Drawings completed-sites acquired by August



GSA's Arthur Sampson
Seeks potential bidders.

Financing a bid factor. In the bidding conferences, GSA officials, including acting administrator Arthur Sampson, are telling potential bidders that as many as three kinds of contracts will be sought.

First, GSA will try to hire a building's original A-E for inspection work. In all cases, a general contractor will handle construction and, for buildings that will cost over \$15 million or \$20 million, financing arrangements will be submitted as a separate bid proposal. In almost all cases drawings, developed as much as a decade ago, have been modernized by GSA's staff.

Construction managers (CM) will not be hired for any project, primarily due to the rush schedule that will not accommodate the development of CM contracts. However, value engineering will be specified as part of contracts.

GSA's purchase contracting approach is not without detractors who argue that it is an uneconomical way of acquiring federal buildings. They point out that since the developer must pay property taxes until the government takes title, must earn a profit and must pay commercial borrowing rates, the building price must go up.

In rebuttal, GSA's Sampson contends that value investment analysis, which recognizes the future effects of inflation and higher government borrowing costs, "proves clearly that a long-term payout for real property investment is preferable to a cash outlay for the total cost of a building." Moreover, Sampson claims, the lease-purchase legislation should prevent GSA from ever accumulating the kind of backlog that it can now work off.

As far as local property taxes are concerned, GSA officials consider this a form of revenue sharing that many financially hard-pressed local governments could use for other construction purposes.

The General Services Administration (GSA) is wasting no time in clearing a huge backlog of previously authorized but unfunded federal buildings under newly approved lease-purchase legislation.

President Nixon signed the law, which amends the Public Buildings Act of 1959, June 16, and by this weekend, special bidding conferences will have been held in New York City, Chicago, Portland, Ore., Los Angeles and New Orleans to explain the purchase contracting system to prospective bidders for GSA's initial group of buildings. These 30-plus facilities, the first of a group of 63 worth, including site acquisition and design costs, an estimated \$1 billion, are expected to cost about \$420 million. In most cases, drawings have been completed and sites acquired or optioned by the government. The initial projects range from a \$65-million customs court and federal office building annex near New York City's Financial District to a \$563,000 post office and office building in Essex Junction, Vt. (see table).

GSA plans to have solicitations for bids out in mid-July with some contracts scheduled for award before the end of August. All projects in the first group are expected to be under construction by the end of this year. Subsequent offerings will go out during the next six to eight months generating, in total, about 75,000 new construction jobs, according to GSA.

The purchase contracting technique is seen by GSA as a nearly painless way of acquiring and consolidating work space for federal employees while, in the process, reducing high rental costs for federal personnel now occupying space in private buildings.

Under the plan, the government will turn over existing A-E drawings and lease sites to private developers, and the developers will finance and construct the buildings under federal supervision. These developers will retain ownership for up to 45 years, during which time they will receive incremental payments from the government that will cover local property taxes assessed to and paid by the developer and mortgage financing costs. When payment is completed, the government will take title to the buildings.

To generate funds for such payments, all nondefense government agencies occupying GSA space will be

paying GSA a rent equivalency, an amount set at market rates. These payments, which GSA estimates could reach \$1 billion a year, will be funneled into a federal revolving fund that will be used to cover payments to developers, some operational and maintenance costs, and, in some cases, federal financing of government buildings.

For the latter purpose, the revolving fund will provide the GSA with a tool for shortening the lengthy appropriation sequence that has stymied progress on many projects in the past. While major federal buildings will still be funded from direct congressional appropriations, GSA may commit money from the fund for some projects worth more than \$500,000 with approval from the House and Senate Public Works committees and notification to appropriation committees. In the past GSA was forced to go through a time-consuming series of separate requests for site acquisition, design and construction appropriations.

GSA's initial lease-purchase projects*

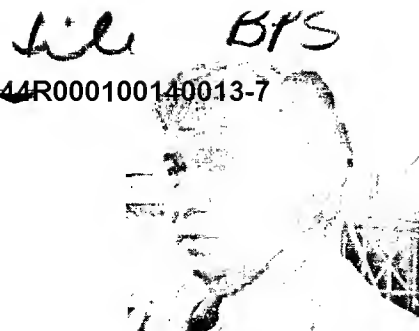
City	Building	Costs (mill.)
Tucson, Ariz.	FOB	\$5.5
San Diego, Cal.	CH, FOB, parking	44.9
Santa Ana, Cal.	FOB	13.9
Santa Rosa, Cal.	FOB	4.5
Van Nuys, Cal.	FOB	8.5
Dover, Del.	FOB	1.6
Griffin, Ga.	FOB, PO	1.7
Rome, Ga.	PO, CH	3.7
Waycross, Ga.	PO, FOB, CH	3.9
Honolulu, Haw.	FOB, CH	44.2
Moscow, Idaho	PO, CH	2.5
Chicago, Ill.	Fed. Rec. Ctr.	6.9
Mt. Vernon, Ill.	FOB	1.0
Indianapolis, Ind.	FOB	19.5
Waterville, Ma.	PO, FOB	2.1
Fitchburg, Mass.	PO, FOB	5.7
Detroit, Mich.	FOB	56.5
Lincoln, Neb.	FOB, CH, parking	21.3
Las Cruces, N.M.	CH, FOB	3.1
Albany, N.Y.	FOB	14.0
New York, N.Y.	FOB annex, customs court	64.6
Syracuse, N.Y.	FOB, CH	19.1
Akron, Ohio	FOB, CH, parking	16.1
Portland, Ore.	FOB	20.2
Woonsocket, R.I.	FOB, PO	2.0
Aberdeen, S.D.	FOB	8.0
Rapid City, S.D.	FOB, CH	3.7
Nashville, Tenn.	CH, FOB annex	12.2
Denton, Tex.	FOB, CH	3.4
Fort Worth, Tex.	fed. parking	4.4
Essex Junction, Vt.	PO, FOB	.6
Wenatchee, Wash.	PO, FOB	4.5

FOB-Federal Office Building

PO-Post Office

CH-Courthouse

*Drawings completed-sites acquired by August



GSA's Arthur Sampson
Seeks potential bidders.

Financing a bid factor. In the bidding conferences, GSA officials, including acting administrator Arthur Sampson, are telling potential bidders that as many as three kinds of contracts will be sought.

First, GSA will try to hire a building's original A-E for inspection work. In all cases, a general contractor will handle construction and, for buildings that will cost over \$15 million or \$20 million, financing arrangements will be submitted as a separate bid proposal. In almost all cases drawings, developed as much as a decade ago, have been modernized by GSA's staff.

Construction managers (CM) will not be hired for any project, primarily due to the rush schedule that will not accommodate the development of CM contracts. However, value engineering will be specified as part of contracts.

GSA's purchase contracting approach is not without detractors who argue that it is an uneconomical way of acquiring federal buildings. They point out that since the developer must pay property taxes until the government takes title, must earn a profit and must pay commercial borrowing rates, the building price must go up.


In rebuttal, GSA's Sampson contends that value investment analysis, which recognizes the future effects of inflation and higher government borrowing costs, "proves clearly that a long-term payout for real property investment is preferable to a cash outlay for the total cost of a building." Moreover, Sampson claims, the lease-purchase legislation should prevent GSA from ever accumulating the kind of backlog that it can now work off.

As far as local property taxes are concerned, GSA officials consider this a form of revenue sharing that many financially hard-pressed local governments could use for other construction purposes.

STATINTL

Approved For Release 2001/08/09 : CIA-RDP86-00244R000100140013-7

Approved For Release 2001/08/09 : CIA-RDP86-00244R000100140013-7

TRANS. INITIAL SLIP		DATE
TO: BPS		
ROOM NO.	BUILDING	
REMARKS: <i>Copy of this article forwarded to D/L</i> 		
FROM:		
ROOM NO.	BUILDING	EXTENSION

FORM NO. 241
1 FEB 55

REPLACES FORM 36-8
WHICH MAY BE USED.

(47)

STATINTL